



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Edelen Releases Audit of McCracken County Sheriff's Office**

**FRANKFORT, Ky.** – State Auditor Adam Edelen today released the audit of the 2010 financial statement of McCracken County Sheriff Jon Hayden. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account and the other reporting on the audit of the fee account used to operate the office.

The audit found that the sheriff's financial statement presents fairly the revenues, expenditures, and excess fees of the McCracken County sheriff in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

**The Sheriff's office lacks adequate segregation of duties over reconciliations, ledger postings, and financial statement preparation.** Our review and evaluation of the Sheriff's internal controls disclosed a lack of adequate segregation of duties. The bookkeeper reconciles the fee bank account, posts receipts and disbursements to the receipts and disbursements ledgers, and prepares financial statements. Good internal controls dictate that these duties be segregated. Documented compensating controls were not in place to offset this control deficiency. The deficiency as described above is a significant deficiency and a material weakness. We make the following recommendations to implement compensating controls:

The Sheriff or another employee who does not have access to bookkeeping records, bank records or statements, and financial statements should periodically:

- Compare the receipts and disbursements ledger to the monthly and quarterly reports and document comparisons.
- Monthly bank reconciliations should be reviewed. Outstanding items should be subsequently cleared. The reviews should be documented.
- Perform occasional surprise cash counts.

Any compensating control implemented should be documented.

*Sheriff's response: The Financial Reporting and reconciliation process was completely revamped for the 2012 calendar year with the implementation of new accounting software. Under this system, Ledger postings are performed by a different employee than the bookkeeper. The bookkeeper reviews these postings for accuracy and prepares the monthly financial statement. Another office staff member then reconciles the bank statement to the bookkeeper's financial statement. After any necessary corrections, the financial statement is reviewed and signed by the Sheriff and presented to fiscal court with monthly excess fees. The lack of "segregation of duties" comment on sheriff's audits is one of the most used comments throughout the state for all counties, according to the state auditor's office. Minimal staffing levels that sheriff's offices have to work with causes these issues.*

**The Sheriff should require the petty cash fund be properly reconciled.** During testing of receipts, we noted payments from the fiscal court that were not on the fee account receipts ledger. These payments from fiscal court were reimbursements for payments made by the Sheriff's petty cash funds. The chief deputy maintains these funds. We asked if the chief deputy physically counts the cash and unreimbursed bills to reconcile the petty cash. He stated that he did. We attempted to trace the payments from fiscal court to the petty cash ledger but noted 3 payments from the fiscal court totaling \$919.19 that were not on the petty cash ledger. The chief deputy stated that he must have just not written them down. The petty cash fund would have had a variance if the funds had been counted and reconciled. A cash count revealed that the petty cash fund balance did not equal the \$5,000 balance that was to have been on hand. The Sheriff required all funds in excess of \$1,000 be deposited into the fee account the next day. We recommend the Sheriff require the petty cash fund be reconciled properly and reviewed by someone who does not maintain the petty cash funds.

*Sheriff's response: The sheriff's office petty cash fund has been lowered to \$1,000 dollars due to the recommendation of the auditor's office. Monthly reconciliations of that account will be done by the office manager.*

**Excess fees were overpaid by \$65,402 for calendar year 2010 due to incorrect bank reconciliations.** During testing of cash, we noted bank reconciliations for all of calendar year 2010 listed a bank deposit error of \$34,598 and a receivable of \$100,000 for funds loaned to the tax account. The \$34,598 was actually excess fees due from the 2008 fee audit that had never been paid. The receivable was deposited into the fee account during 2010. The net effect of these two errors caused excess fees to be overpaid by \$65,402 for calendar year 2010. We recommend the Sheriff obtain \$65,402 from the fiscal court in order to balance the fee account.

*Sheriff's response: Overpayment of excess fees will be requested from the fiscal court, as recommended. The account will be properly balanced upon receipt of these funds.*

**The sheriff should make deposits daily.** Audit testing revealed the Sheriff was not making daily deposits, but rather making deposits when a uniformed officer was available. KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting requirements, which includes making deposits on a timely basis which should be made once the sheriff has collected \$500 or at a minimum on a weekly basis. Additionally, the practice of making timely deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible misappropriation. We recommend that the deposits be made daily or at least when the official collects \$500 in receipts.

*Sheriff's response: All funds awaiting deposit are protected in a locked, fireproof vault until they are taken to the bank. It is the practice of our office for only uniformed officers to take deposits to the bank for security and safety reasons. However, there were some days in which officers were predisposed with other duties and deposits were left undeposited. This occurred only a minimal number of times, and it is common practice to make these daily.*

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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